

Wilmington Trust Center, 1100 North Market Street, Suite 1001, Wilmington, DE 19801
Tel: (302) 777-5860 ■ Fax: (302) 777-5863 ■ www.WolfBlock.com

Direct Dial: (302) 777-6374
Direct Fax: (302) 778-7834
E-mail: tmcgonigle@wolfblock.com

March 14, 2007

VIA E-MAIL & HAND DELIVERY

The Honorable Arnetta McRae
Commission Chair
Delaware Public Service Commission
861 Silver Lake Boulevard
Cannon Building Suite 100
Dover, Delaware 19904

**Re: Bluewater Wind LLC's Request For Clarifications on Evaluation Reports by
Delmarva Consultant and Independent Consultant.**

Dear Chairperson McRae:

As you may recall, we filed, on behalf of Bluewater Wind, LLC ("Bluewater"), a Motion Requesting the Public Service Commission Establish a Formal Process for Bidders to Comment On and Question Evaluation Reports by Delmarva Consultant and Independent Consultant Motion. That Motion was filed on February 26, 2007.

While the Commission has provided a process by which interested parties may submit written comments on the evaluations on or before March 23, 2007, there has not yet been a process established to allow bidders to ask questions and receive responses from the consultants. This void significantly hampers the ability of Bluewater, and perhaps other bidders, to provide more informed and thoughtful comments to these important evaluations.

Accordingly, with this letter we renew our request for such a process and, as an interim measure, enclose a list of important questions (attached hereto Exhibit A) for the consultants, the answers to which will significantly enhance our ability to provide meaningful comments. We respectfully request that the Commission direct the consultants to provide written responses to the enclosed questions on or before March 20, 2007. By way of an alternative request, should it be determined that written responses to the enclosed questions can not be provided by March 20, 2007, we respectfully request the Commission allow Bluewater the opportunity to ask these questions of the consultants at the next scheduled Commission hearing on March 20, 2007.

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In closing, I thank you for your consideration of this important matter.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'T.P. McGonigle', with a stylized flourish at the end.

Thomas P. McGonigle

For WOLF, BLOCK, SCHORR and SOLIS-COHEN LLP

Enclosure

TPM/sc

Enclosures

EXHIBIT A

Questions regarding evaluation of Bluewater Wind proposals.

The questions below refer to both the ICF evaluation and the Independent Consultant ("IC") evaluation ("Evaluation Reports" or "Evaluations"), or summaries presented by, or statements on the record made by Delmarva officials at public hearings.

Scoring Methodology and Comparisons Regarding Price is Unclear

1. Please explain the rationale for scoring regarding price given the RFP wording and Pre-Bid Conference statements. Why was price the only category not to be scored on a straight "best-to-worse" scale? Bluewater Wind Delaware LLC ("Bluewater") incorporates by reference our February 26, 2007 filing on the price scale question.
2. Both the price and price stability scoring would appear to be dependent on the term of the proposed contracts and the amount of energy received under the contracts. Was any analysis done to normalize (i.e. compensate or correct for contract term and amount of energy delivered), so as to provide a consistent comparison of benefits of the proposals? If so, please make this analysis available. If no such comparison was made, please describe the reasons for not doing so?
3. Please explain how the effective bid prices shown in the ICF and IC reports were calculated? Further, please explain the different numbers shown in the two different reports by ICF and the IC? As an example, Bluewater's overall price A) as calculated by ICF is \$99.45 per MWh (for Atlantic North 25 yrs full bid) vs., B) as calculated by IC is \$98.21 (same site and terms). This difference of \$1.24 per MWh makes up 11.56% of the price difference between Bluewater and Conectiv reported prices (\$98.21 minus \$87.48).
4. Please explain the apparent internal inconsistency among evaluations of the various Bluewater bids where the Atlantic North and South sites yielded a score difference of 64.50% (4.8 points vs. 1.8 points in ICF Evaluation page 29, yet the price difference on that page is 13.39%. Bluewater notes that our actual Form R Confidential Bid Price was 4.74% different. In addition, while Delmarva stated orally at the February 27th PSC hearing that the point difference was due to "significantly less wind" in Atlantic South (March 8, 2007), the Form R Confidential wind difference is 3.076% less wind (i.e. net MWh delivered) from North to South.
5. Was locational marginal pricing considered in the cost impact analysis by either the State's Independent Consultant or ICF? If so, what forecast was used and why?
6. Please define and explain the 25 year prices for PJM RECs and RGGI Carbon and National Carbon taxes. What forecast was used and why? How were those

allocated and assessed for each of the 3 bidders. As a point of reference, the footnote on page 45 of the IC mentions conversations with market participants and a \$12 flat REC price going forward. Bluewater has received a Term Sheet for 10 years of all available RECs not sold to Delmarva for a price is well above \$12. The market today is well above \$12, as can be verified. Will further evaluations be conducted in light of REC prices already being higher than \$12 used in the initial evaluation?

Assessment of Price Stability is Unclear

Delmarva's evaluation appears to be using the amount of energy that a SOS customer would be getting from the market under the various bid scenarios as an indicator of price stability (see for example, see Power Point hand out from Delmarva at public hearings, page 4). In other words, the higher the portion of SOS price is market price, the less stability. While we agree that this is a reasonable measure of price stability, it leads to the following questions:

7. So that we can better understand how price stability is being evaluated, please explain the apparent discrepancy between A) the understanding that having a higher percentage of market priced energy is not providing price stability (per above) with B) Delmarva's statements that by continuing to buy SOS customers' energy on the market, they are providing "price stability" beyond the stability of no price fluctuations for 12 months (see for example the same handout, page 8)
8. Please reconcile Delmarva's assertions that A) if they are required to take all the energy from the Bluewater Proposal they would have too much energy (see for example the same handout, page 5), with the assertions that the B) Bluewater Proposal does not provide price stability because 64% of the energy (or 74% in the alternative) would be coming from other sources (same handout, page 4). In other words, on the one hand the assertion is that Bluewater's proposal does not provide price stability because SOS customers still get too much energy at market prices; on the other hand the bid is providing too much energy. We believe this line of reasoning suggests a false trade-off between price stability and the amount of energy bid, when in fact it's simply a matter of having a balanced portfolio, and so we are trying to understand how this reasoning was applied to the bid evaluations, or even if it was. We note that Bluewater is not proposing to provide any more energy than SOS load requires at any time.

Treatment of unknown forward fuel prices is unclear

9. What formula and what forward natural gas, coal, and PJM market prices were used to determine the \$2B and \$5B differences of Bluewater Wind and NRG bids vis a vis the Conectiv bid and the market base case? Please provide all the data, assumptions, and explain why certain data was used and why certain assumptions were used. Please explain how the different PPA terms of the various bidders affected these formula, i.e., what terms were used for comparing the bids:

10. What price for natural gas or other fuel was used in establishing a MWh cost that was used to compare the Bluewater Wind and NRG bids? Is this price the anticipated price after Conectiv is allowed to adjust its price after it receives all permits (a "does not conform to RFP" aspect of Conectiv bid (IC Full Evaluation page 10)? If yes, what is the basis for this forward looking price? Please provide all assumptions and data. If no, please report what that price is likely to be? And, if no, please explain why the Bluewater Wind and NRG bids were not compared to this more realistic price. If you expect post-permit natural gas price to go down, please provide all data and assumptions used to make that determination. If you expect post-permit natural gas price to rise, please provide all data and assumptions used to make that determination.
11. Please provide all data that the Evaluations relied upon to project natural gas prices for the term of Conectiv's proposed PPA with Delmarva. Please provide all assumptions and sources for your projections.